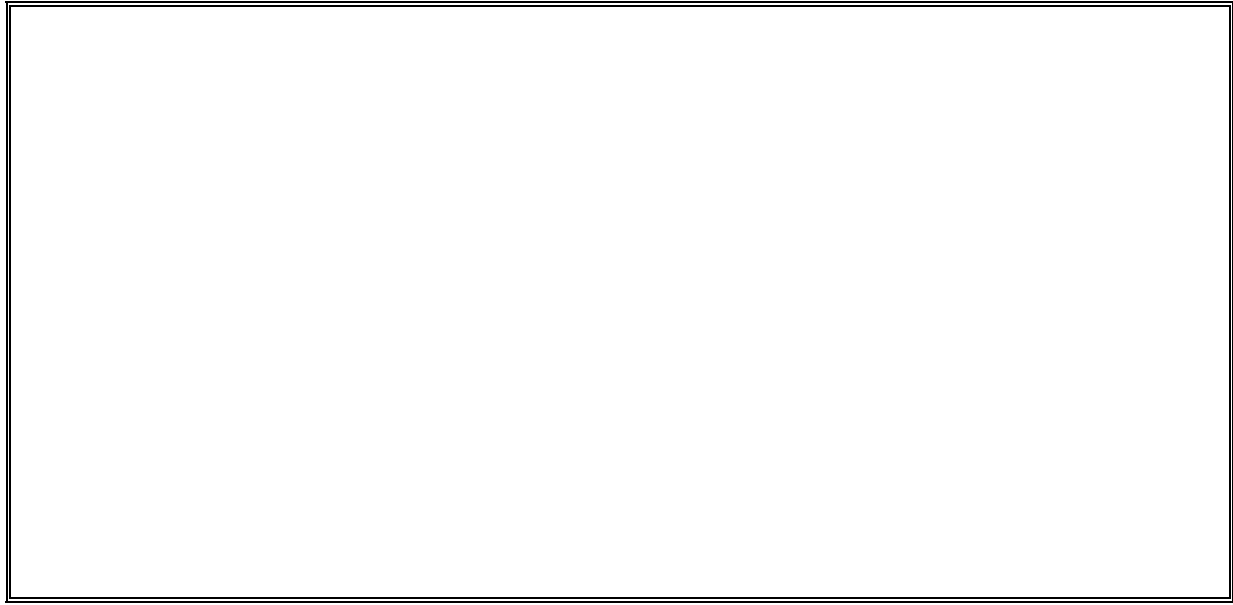


**TURKMENISTAN:**  
**RESULTS REVIEW AND RESOURCE REQUEST (R4)**

**USAID Regional Mission for Central Asia**  
**Almaty, Kazakstan**  
**April 1997**



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## **I. OVERVIEW AND FACTORS AFFECTING PROGRAM PERFORMANCE**

The development context in Turkmenistan has changed over the past year. Although Turkmenistan remains a one-party state, with power invested in a communist-turned-nationalist leader, it has introduced economic reforms including planning a significant privatization program. With a small population (approximately four million) in a country larger than California and large reserves of natural gas, oil and other minerals, Turkmenistan has the potential to be a wealthy country. These factors explain, in part, why the government has taken a gradualist approach to market reform and avoided measures that might entail significant loosening of state control of the economy or rapid political liberalization. In this environment, USAID/CAR programs focus on business climate development, budgetary reform, and the energy sector, with an emphasis on gas and oil. Most technical training will be carried out in Turkmenistan, to complement the work being done by resident advisors. Additional training activities, conducted in the US and other countries, will offer examples of applicable reform experiences.

## **II. PROGRESS TOWARD ACHIEVING STRATEGIC OBJECTIVES**

Per guidance received from Washington, this section provides performance assessments on the Mission's strategic objective in Turkmenistan. The specific objective addressed is as follows:

SO 1.2 Increased soundness of fiscal policies and fiscal management practices

SO 1.3 Accelerated development and growth of private enterprises

In addition to the above, region-wide strategic frameworks have been developed for the following regional initiatives, which cover all or most of Central Asia and are described fully in the Regional R4 for Central Asia:

SO 1.5 More economically sound and environmentally sustainable energy system as the primary engine of economic growth for Central Asia

SO 3.3 Reduction in regional economic and political tensions generated by transboundary environmental issues

The Mission places particular importance on our modest democratization efforts. Other activities include the use of health earmarks for social marketing of contraceptives and infectious disease, and possibly medical partnership activities. These are worthwhile endeavors, but they are not part of our core program. Hence, in conformity with R4 guidance, they are respectively evaluated through one or more indicators and corresponding targets under the following special objective:

SO 4.1 Special Initiatives

Similarly, Eurasia Foundation activities are not an integral part of our core program. Hence, its activities are now grouped under cross-cutting programs in SO 4.2. Since the Eurasia Foundation does not report to the Mission, we have not provided an indicator or target to describe their activities.

Finally, an appropriate share of the very limited resources is devoted to training in Turkmenistan and the Central Asian region, third countries, and the US. The purpose of this effort is to reinforce USAID/CAR technical assistance. The cross-cutting nature of this program under SO 4.2 and the fact that its impact is measured in other strategic objectives mean that a formal R4 framework is not required.

## **SO 1.2 INCREASED SOUNDNESS OF FISCAL POLICIES AND FISCAL MANAGEMENT PRACTICES**

### **A. OVERVIEW AND FACTORS AFFECTING PROGRAM PERFORMANCE**

The R4 tree and Performance Data Table for regional strategic objective 1.2 are being submitted for the first time.

### **B. PROGRESS TOWARDS OBJECTIVE**

#### **1. Performance Analysis**

As in other Central Asian countries, development of the private sector in Turkmenistan has been hampered by macroeconomic instability resulting from weak fiscal policies. Turkmenistan has been the slowest in moving towards market liberalization. Until very recently, it had made little progress in privatization and financial sector reform or liberalization of its trade regime. It has maintained price controls on energy products and some basic consumption items. A complex consumer and producer subsidy system still exists. Turkmenistan has chosen not to enter into a Stand-By Agreement with the IMF. To combat this situation, this strategic objective focuses on strengthening the expenditure side of fiscal policies initially, to provide a more rational allocation of scarce government resources.

Until recently, Turkmen officials have not been open to reform in the budget process. A strategy for a major privatization program is just now being developed. The Government of Turkmenistan and the World Bank are nearing agreement on a comprehensive program. Conversations with other donors on how to pick up the pace of economic reforms are also continuing. Work in the current fiscal year is based on the assumption that the work of other donors will go forward.

**Progress rating:** While technically the fiscal deficit is on track, this is only because much of government expenditure is excluded from the budget.

As can be seen in the R4 tree, the major IRs include:

#### **1.2.2 Government complied with international financial institutions" conditions.**

#### **1.2.4 Improved budget management.**

The performance in each area is described below.

1.2.2 The performance indicator is compliance. Government adheres to conditions set forth by the international financial institutions" for additional assistance. The unit of measure is Yes/No (or Partial).

Turkmenistan needs to take steps necessary to negotiate a Stand-By Agreement with the IMF.

**Progress rating:** Less than expected.

1.2.4 The performance indicator is the share of government expenditure excluded from consolidated national budget. The unit of measure is percent.

In 1997 approximately 60 percent of all government expenditures in Turkmenistan were excluded from the budget (i.e. "off-budget"). This "off-budget" category needs to be sharply reduced or eliminated in the coming years.

**Progress rating:** Strategic objective activity has not yet begun.

## **2. Expected Progress through FY99 and Management Actions**

Two primary results need to be achieved by USAID in concert with its partners if this strategic objective is to be accomplished in any meaningful way:

- C Compliance by the Government of Turkmenistan with the conditions set forth by the International Financial Institutions (the IMF and World Bank in particular). This compliance is necessary to obtain further financial assistance from these institutions. Without the leverage from these institutions, USAID's efforts will be much less effective.
- C The central government budget must be better managed, by including all or nearly all government expenditures within the budget. This is key to further progress in rationalizing fiscal policies.

New initiatives are being discussed, and the International Monetary Fund and World Bank are developing a support program. If these new initiatives are not successful or if other donor support is not forthcoming, problems could arise.

### 3. Performance Data Tables

<b>STRATEGIC OBJECTIVE 1.2: INCREASED SOUNDNESS OF FISCAL POLICIES AND FISCAL MANAGEMENT PRACTICES</b> <b>APPROVED: 12/07/96 COUNTRY/ORGANIZATION: TURKMENISTAN, USAID/CAR</b>			
<b>RESULT NAME: SO 1.2. Increased soundness of fiscal policies and fiscal management practices</b>			
<b>INDICATOR: General government deficit as a percent of GDP</b>			
<b>UNIT OF MEASURE: Percent</b>  <b>SOURCE: International Monetary Fund document, Turkmenistan - Staff Report for the 1995 Article IV Consultation, January 30, 1996</b>  <hr/> <b>INDICATOR DESCRIPTION: Expenditures less revenues as a percent of GDP</b>  <b>COMMENTS: Programmed data for 1996 by IMF is available. It is in Recent Economic Development of the Country for 1996, an IMF publication in 1997.</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995		1.6
	1996		1.0
	1997(B)	0.6	
	1998	0.2	
	1999	0.1	
	2000	0.095	
	2001(T)	0.09	

**STRATEGIC OBJECTIVE 1.2: INCREASED SOUNDNESS OF FISCAL POLICIES AND FISCAL MANAGEMENT PRACTICES**  
**APPROVED: 12/07/96 COUNTRY/ORGANIZATION: TURKMENISTAN, USAID/CAR**

**RESULT NAME: IR 1.2.2. Government of Turkmenistan complied with the International Financial Institution's conditions.**

**INDICATOR: Other Donor Activity**

**UNIT OF MEASURE: Yes - No - Partial**

**SOURCE:**

**INDICATOR DESCRIPTION:**

**COMMENTS:**

**YEAR**

**PLANNED**

**ACTUAL**

**1995**

**1996**

**N**

**1997(B)**

**P**

**1998**

**Y**

**1999**

**Y**

**2000**

**Y**

**2001(T)**

**Y**



**STRATEGIC OBJECTIVE 1.2: INCREASED SOUNDNESS OF FISCAL POLICIES AND FISCAL MANAGEMENT PRACTICES**  
**APPROVED: 12/07/96 COUNTRY/ORGANIZATION: TURKMENISTAN, USAID/CAR**

**RESULT NAME: IR 1.2.4. Improved budget management**

**INDICATOR: Off budget expenditures of Consolidated National Budget**

**UNIT OF MEASURE: Percent**

**SOURCE:** International Monetary Fund document,  
Turkmenistan - Staff Report for the 1995 Article IV Consultation,  
January 30, 1996

**INDICATOR DESCRIPTION:** Off budget share of Consolidated  
National Budget

**COMMENTS:.**

YEAR	PLANNED	ACTUAL
1995		
1996		n/a
1997(B)	50	
1998	30	
1999	20	
2000	10	
2001(T)	0	

## **SO 1.3 ACCELERATED DEVELOPMENT AND GROWTH OF PRIVATE ENTERPRISE**

### **A. OVERVIEW AND FACTORS AFFECTING STRATEGIC OBJECTIVE PERFORMANCE**

USAID is undertaking the provision of technical assistance to improve the commercial and investment environment in Turkmenistan. To this point, no targets have been established. New targets have been set forth in the performance data table included in the Strategic Plan.

### **B. PROGRESS TOWARD OBJECTIVE**

#### **1. Performance Analysis**

USAID intends to initiate a trade and investment program designed to educate state officials on the merits, benefits and requirements of the World Trade Organization and to assist in the preparation and adoption of changes to the legal and regulatory framework necessary for accession to the World Trade Organization (WTO). In addition, a more in-depth commercial law reform project may be instituted to develop and prepare legislation facilitating the operation of an open market based on private business.

The Central Asian-American Enterprise Fund (CAAEF), headquartered in Ashgabat, represents the current major USG initiative aimed at promoting a private commercial sector in Turkmenistan. In 1996, \$5.2 million in equity investments and loan funding have been approved by CAAEF.

#### **2. Expected Progress Through FY 99 and Management Actions**

This strategic objective is at an early stage. It will be difficult to gauge the progress for this strategic objective until Turkmenistan's attitude and commitment to the reforms are clarified. A positive result could lead to expanded technical assistance in the areas of trade and investment and commercial law reform, which would continue probably up to and beyond FY 99; a reactionary response could result in the discontinuation of the entire effort. Support for CAAEF and International Executive Service Corps (IESC) will continue for the next several years in any case, up until FY 99.

### 3. Performance Data Table

<b>STRATEGIC OBJECTIVE : 1.3</b> <b>APPROVED: 7/12/1996 COUNTRY/ORGANIZATION: Turkmenistan, USAID/CAR</b>			
<b>RESULT NAME: IR 1.3.3 Increased availability of and access to capital and technological resources for the private sector</b>			
<b>INDICATOR: Loans and joint venture funds invested</b>			
<b>UNIT OF MEASURE:</b> Dollars (million) <b>SOURCE:</b> Contractor and grantee reports <hr/> <b>INDICATOR DESCRIPTION:</b> Dollar volume of joint venture funds invested and loans provided <b>COMMENTS:</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995	-	-
	1996	-	5.2
	1997	7	
	1998	10	
	1999	12	
	2000	14	
	2001	15	

## **SO 4.1 SPECIAL INITIATIVES**

### **Reproductive Health**

The Reproductive Health Services Expansion Program (RHSEP) was initiated in 1993. The purpose of the program was to promote the use of safe, modern contraceptives in order to decrease the dependence on abortions to control fertility. Under the RHSEP, two national training centers in reproductive health were established at the Turkmen State Medical Institute and at Polyclinic Number 9. These sites train obstetricians and gynecologists in Ashgabat in contraceptive technology. As the Government has indicated interest in some market reforms, the Mission plans to use its reproductive health earmark within the context of the larger market transition efforts. A Contraceptive Social Marketing Program will be initiated in 1997. Technical assistance and training will be provided to create an environment conducive to marketing of contraceptives through the private sector.

### **Medical Partnership**

The Medical Partnership Program between the Niyazov Medical Consultative Center in Ashgabat, Turkmenistan, and the Cleveland Clinic of Cleveland Ohio is funded under a Cooperative Agreement between USAID and the American International Health Alliance (AIHA). This partnership was established in April 1993 and entered its graduate phase in April 1996. The graduate phase will continue for two years until April 1998, subject to the availability of funds.

Some achievements are highlighted here. With AIHA technical assistance the Ashgabat Emergency Medical Services Training Center was opened in March 1997. The Center helps to improve pre-hospital care in Ashgabat. Several training events were conducted by US partners on: basic management principles for nurses; pre-operative, peri-operative, and post-operative patient management for physicians; hospital administration and clinical training in general medicine and surgery; the basic tenets of market-driven health management tools and techniques in the context of current regional reform initiatives; and on introductory financial management.

### **Infectious Disease Program**

USAID's work in infectious disease, specifically vaccine preventable diseases, in Turkmenistan started in 1992 under the REACH Project. The Project provided technical assistance for emergency relief concerning vaccine supplies, cold chain equipment, and introduction of the new immunization schedule consistent with World Health Organization recommendations.

The REACH Project ended in 1994 and was followed by the Basic Support for Institutionalizing Child Survival (BASICS) Project in 1995. BASICS continued the Expanded Program of Immunization (EPI) activities initiated under REACH. With BASICS technical assistance and training a new immunization schedule which is consistent with the WHO recommendations and

drastically reduces the number of contraindications was introduced to Turkmenistan. With BASICS technical assistance both rounds of Operation MECACAR (to eradicate polio by the year 2000) achieved greater than 95 percent coverage with polio vaccine. No polio cases were reported in 1996.

In December 1995, the Ministry of Health issued a new decree on diphtheria control which adopted the regional strategy developed with input from BASICS, Centers for Disease Control and Prevention, UNICEF, and WHO. According to the WHO Communicable Disease Report of February 1997, the reported diphtheria cases in Turkmenistan decreased by 8 percent from 87 cases in 1995 to 80 cases in 1996.

Three sets of manuals have been developed over the past year in response to priorities and felt needs of the Ministry of Health of Turkmenistan, as well as counterparts in other republics. They are: 1) Vaccine Finance and Procurement; 2) a Handbook for Health Communications; and (3) Vaccine Cold Chain and Logistics Manual, developed specifically for immunization managers in the NIS.

The Participating Agency Service Agreement (PASA) between USAID and Centers for Disease Control and Prevention (CDC) was initiated in 1994 to strengthen and improve the surveillance systems and to produce and disseminate regularly published public health bulletins. CDC completed a thorough analysis of the infectious disease surveillance system providing recommendations to the Ministry of Health on possible improvements that would streamline and strengthen the current system. CDC provided Russian-language versions and trained all oblast-level Sanitary Epidemiological Station (SES) epidemiologist in the use of EPI-Info and EPI-Map software to facilitate the use of case-based surveillance to assist their efforts in control of infectious diseases, especially diphtheria and polio, two "high-priority" diseases.

In 1997 and 1998 USAID plans to focus on the public health priorities of prevention and control of infectious diseases with additional funds made available to address outbreaks and epidemics of infectious diseases as well as training to develop capacity to prevent such outbreaks from occurring.

**OBJECTIVE: 4.1 Earmark - Medical Partnerships**

**APPROVED: 7/96**

**COUNTRY/ORGANIZATION: Turkmenistan, USAID/CAR**

**RESULT NAME:** N/A - Congressionally mandated earmark. (Modern Management Techniques and Clinical Practices Introduced)

**INDICATOR:** Number of health providers trained in modern management techniques and clinical practices.

**UNIT OF MEASURE:** Number of health providers trained.

**SOURCE:** American International Health Alliance (AIHA).

**INDICATOR DESCRIPTION:** Increase in number of health providers trained in modern management techniques and clinical practices.

**COMMENTS:**

1. The current indicator replaces the previous one "Increase in Number of Facilities Using Modern Management Techniques and Clinical Practices." AIHA is unable to provide data needed by the previous indicator. AIHA reports on numbers of persons trained.

2. Planned 1997 target is cumulative (includes 1996 actual plus 1997 specific). The 1997 actual is as of 3/31/97.

YEAR	PLANNED	ACTUAL
1996		55
1997	120	65

<b>OBJECTIVE: 4.1 Earmark - Infectious Disease</b> <b>APPROVED: 7/96</b> <b>COUNTRY/ORGANIZATION: Turkmenistan, USAID/CAR</b>			
<b>RESULT NAME:</b> N/A - Congressionally mandated earmark			
<b>INDICATOR:</b> Percent of oblasts using modern approaches to disease surveillance			
<b>UNIT OF MEASURE:</b> Percent  <b>SOURCE:</b> Centers for Disease Control and Prevention (CDC) in Central Asia.  <b>INDICATOR DESCRIPTION:</b> Increase in the number of oblasts using computer-based applications for case specific diseases.  <b>COMMENTS:</b> This indicator refers to the modern methods applied to polio and diphtheria. Computer system was not in place until January 1997 but all staff from the Sanitary- Epidemiological Station were trained in 1996.	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995	0%	0%
	1996	25%	0 %
	1997	100%	50%

**OBJECTIVE: 4.1 Earmark-Reproductive Health**

**APPROVED:** 7/96

**COUNTRY/ORGANIZATION:** Turkmenistan, USAID/CAR

**RESULT NAME:** N/A-Congressionally mandated earmark

**INDICATOR:** Increase in Couple Years of Protection (CYP)

**UNIT OF MEASURE:** Couple Years of Protection (CYP)

**SOURCE:** International Manufacturers of contraceptives for the Contraceptive Social Marketing Program

**INDICATOR DESCRIPTION:** Couple Years of Protection is the theoretical number of couples receiving contraceptive protection for a year. It is calculated using contraceptive specific denominators: 15 cycles of oral contraceptives equals one CYP; 100 condoms equals one CYP; 4 doses of Depo-Provera and six doses of Noresterat equals one CYP.

**COMMENTS:**

1.) CYP will be calculated utilizing the number of social marketing contraceptives sold by manufacturers to distributors.

2.) The SOMARC program will begin during 1997 (calendar year).

**YEAR**

**PLANNED**

**ACTUAL**

1996

-

0

1997

TBD



<b>OBJECTIVE: 4.1 Earmark-Reproductive Health</b> <b>APPROVED: 7/96</b> <b>COUNTRY/ORGANIZATION, Turkmenistan, USAID/CAR</b>			
<b>RESULT NAME:</b> N/A-Congressionally mandated earmark			
<b>INDICATOR:</b> Reduction in General Abortion Rate (GAR)			
<b>UNIT OF MEASURE:</b> General Abortion Rate (GAR)  <b>SOURCE:</b> Ministry of Health (MOH)  <b>INDICATOR DESCRIPTION:</b> Induced abortions per 1000 women ages 15-49.  <b>COMMENTS:</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1994	-	33.7
	1995	-	32.8
	1996	-	32.0
	1997	30.00	

### **III. Status of the Management Contract**

The Management Contract agreed to by the Mission and Washington during last spring's R4 reviews has not been significantly altered for Turkmenistan. However, it is important to note the following for use in this year's R4 discussions:

**A. Strategic Objective Changes or Refinements:** Last year the Mission was not required to submit a full R4 for Turkmenistan. This year's submission, however, contains a complete framework for our strategic objectives 1.2 (Fiscal Reform) and 1.3 (Private Enterprise Growth). The Mission's regional strategic objectives also have activities in Turkmenistan, as described in the Regional R4 for Central Asia. In this connection, the Mission has changed the focus of the Regional Energy Strategic Objective 1.5 to more fully reflect the role that energy will play in the economic development of Central Asia. Also, the Mission has revised the R4 for the Regional Environmental Strategic Objective 3.3, which has activities in Turkmenistan. In contrast to last year, the new wording for this objective focuses on transboundary issues rather than just improved air, water, and waste management practices. Finally, the Mission has shifted all activities under the Social Benefits Strategic Objective (SO 3.2) to Special Initiatives (SO 4.1).

**B. Partnership For Freedom:** The Mission sponsors one active partnership in health in Turkmenistan. In the future, we will seek other opportunities to use partnerships in Turkmenistan when and where appropriate as an effective tool to amplify the impact of our ongoing programs.

**C. Phase-Out Dates:** USAID/CAR presented its framework for transition in the CAR countries in a cable sent to Washington in September 1996. In this document, the Mission argued that the entire CAR region should continue to be funded under the FSA (or other funds set aside for the former Soviet Union) for as long as possible. The Mission also argued that the end of FSA funding should not herald the end of an official USG technical cooperation presence. In addition, the Mission stated that phase-out should occur on a regional basis so as not to send the wrong political signal to the affected countries. Finally, the Mission noted that the current program in Central Asia fits well in the DA menu of activities and that a shift to DA funding at some later date would not entail any dramatic changes in ongoing activities. These issues will need to be further discussed in Washington during the formal R4 review process.

**D. Environmental Compliance:** At the current stage of development of Turkmenistan, environmental issues requiring IEEs and EAs rarely emerge. We are not aware of the need for any environmental impact assessments in Turkmenistan for FY98.

### **IV. Resource Requirements**